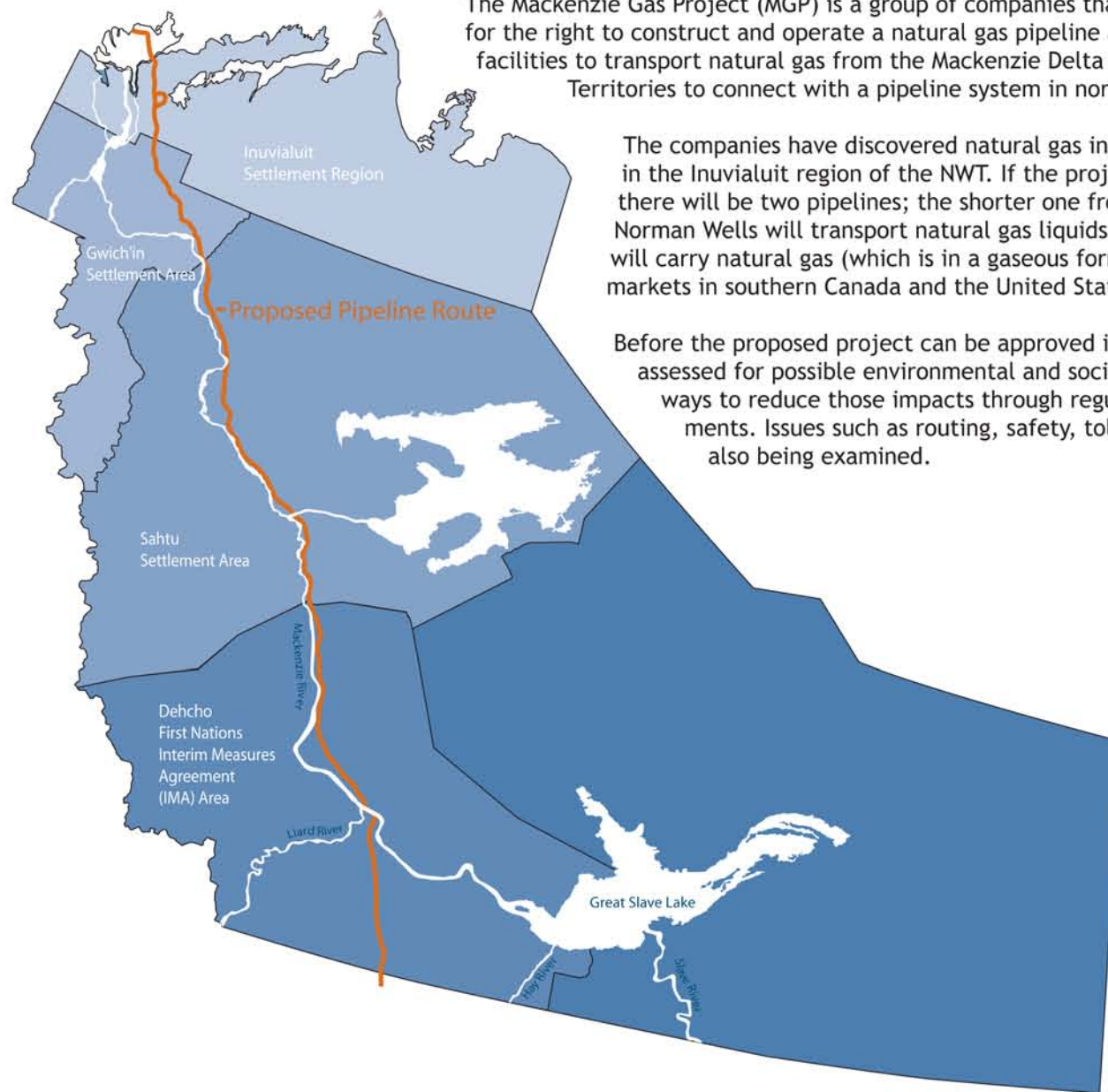


MACKENZIE GAS PROJECT – WHAT IS IT?

The Mackenzie Gas Project (MGP) is a group of companies that have applied for the right to construct and operate a natural gas pipeline and associated facilities to transport natural gas from the Mackenzie Delta in the Northwest Territories to connect with a pipeline system in northern Alberta.

The companies have discovered natural gas in the anchor fields in the Inuvialuit region of the NWT. If the project is approved, there will be two pipelines; the shorter one from Inuvik to Norman Wells will transport natural gas liquids, and the other will carry natural gas (which is in a gaseous form, not liquid) to markets in southern Canada and the United States.

Before the proposed project can be approved it must be assessed for possible environmental and social impacts, and ways to reduce those impacts through regulatory requirements. Issues such as routing, safety, tolls and tariffs are also being examined.



COOPERATION PLAN

The Cooperation Plan, signed in June 2002, is a framework developed to guide the implementation of coordinated environmental impact and regulatory review processes for the proposed project.

It is a "made-in-the-north" approach that helps navigate through, and ensure consistency with, a variety of land claim or self-government related agreements and processes.

As described in the Cooperation Plan, agreements among environmental and regulatory agencies were signed, including the Joint Review Panel Agreement and the Agreement for Coordination of the Regulatory Review of the Mackenzie Gas Project, in 2004.

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ENVIRONMENTAL ASSESSMENT & REGULATORY PROCESS

FOR THE PROPOSED
MACKENZIE GAS PROJECT

STATUS & DECISIONS HOW DOES IT ALL HAPPEN?



CURRENT HEARINGS

The public review processes for the proposed MGP began in the fall of 2004. After a technical review phase that lasted through much of 2005, the Joint Review Panel and the National Energy Board started their public hearings in early 2006.

Public hearings have been held in communities across the Northwest Territories, Alberta and in Whitehorse, Yukon.

What is the Joint Review Panel (JRP)?

The JRP is a seven-member, independent body that is evaluating the possible impacts of the project on the environment and on the lives of the people in the proposed project area.

The JRP was established by three parties to the Joint Review Panel Agreement: the Mackenzie Valley Environmental Impact Review Board (MVEIRB), the Inuvialuit Game Council (IGC), and the federal Minister of the Environment.

The JRP public hearings are expected to conclude in mid-2007. Following the conclusion of the public hearings, the panel will prepare a report and recommendations.

What is the National Energy Board (NEB)?

The NEB is an independent federal regulatory board that regulates certain aspects of the energy industry, including the construction and operation of pipelines. A three-member NEB panel is reviewing applications for three gas field development plans, a natural gas gathering system, a natural gas liquids pipeline to Norman Wells and a natural gas pipeline from Inuvik to northern Alberta.

The initial NEB hearings concluded in December 2006.

After the JRP report has been submitted and responded to by the Government of Canada, the NEB will reconvene its hearing for final argument. Dates for reconvening have yet to be set.



RECOMMENDATIONS & DECISIONS

There are several steps following the JRP and NEB hearings before a decision on the proposed project can be made.

Step 1: JRP submits its report to:

- Responsible Ministers under the *Mackenzie Valley Resource Management Act (MVRMA)* who have decisions to make with respect to the proposed Mackenzie Gas Project
- Responsible Authorities as designated under Canadian Environmental Assessment Agency (CEAA) who have decisions to make with respect to the proposed Mackenzie Gas Project
- National Energy Board (a designated Responsible Agency under MVRMA)
- Mackenzie Valley Environmental Impact Review Board
- Inuvialuit Game Council

The JRP's report will also be made widely available to the public.

The JRP's report will include, but will not be limited to:

- a description of the public review process
- a summary of any comments and recommendations received from the public
- a rationale, conclusions and recommendations regarding the nature and significance of impacts on the environment, including any mitigation measures and follow-up program

Step 2: Responses to the JRP Report:

After the issuance of the JRP's report, Responsible Ministers under the MVRMA will do one of the following:

- agree to adopt the JRP's recommendations, as submitted

- refer the report back to the Panel for further considerations
- accept the report with modifications (after consulting the JRP)
- reject the report (section 135-1 MVRMA).

Responsible Authorities under CEAA will take into consideration the JRP's report and with approval of the Governor in Council (Federal Cabinet), respond to the report.

After the JRP report has been submitted, and responded to by the federal government (as noted above), the NEB will reconvene its hearing for final argument.

As a designated Regulatory Agency under the MVRMA the NEB has similar responsibilities as responsible ministers (section 137. MVRMA).

Step 3: Reasons for Decision:

After its final argument, the NEB will adjourn its hearing and prepare its decision about the proposed project. The decision is written and published as "Reasons for Decision". The decision is a public document.

The NEB decision is submitted to federal cabinet, which will either reject or accept the decision.

If the MGP is not approved at this step, the process stops.

If the MGP is approved at this step, the regulatory processes continue.

REGULATORY PERMITS & LICENSES

In addition to undergoing the environmental assessment through the JRP and the initial NEB regulatory review, the proposed MGP proponents submit applications for authorizations, such as water licences and land use permits.

There are several regulatory agencies in the North that, under law, assess these applications and if they are approved, issue the permits, leases, licences or other forms of authorizations. Some of the regulatory agencies are required to hold public hearings.

Each regulatory agency determines how and when it will undertake application reviews. To coordinate activities and avoid duplication, regulatory agencies signed the *Agreement for Coordination of the Regulatory Review of the Mackenzie Gas Project* in April 2004.

There are four goals and objectives to the Agreement:

- 1) coordinate the regulatory review of the Project by the Parties as contemplated by the Cooperation Plan and as allowed by law
- 2) avoid unnecessary duplication and seek process efficiency
- 3) contribute to clarity, certainty and timeliness
- 4) enhance public participation in the Project review

Northern Regulators with public hearing requirements for the proposed Mackenzie Gas Project:

- Mackenzie Valley Land and Water Board (Mackenzie Valley)
- Gwich'in Land & Water Board
- Sahtu Land & Water Board
- NWT Water Board (Inuvialuit Settlement Region only)

Purpose of Hearings:

- water licences and may include land use permits

Timing of Hearings:

- not yet scheduled, but the Cooperation Plan estimates six months for final licensing and permitting to take place, if NEB issues approval of the applications, confirmed by Federal Cabinet, and provides a Certificate of Public Convenience and Necessity

Northern Regulators without public hearing mandates for the Mackenzie Gas Project:

- Inuvialuit Land Administration**
 - Land use permits (Inuvialuit lands)
- Indian and Northern Affairs Canada**
 - Land use permits on Crown lands in Inuvialuit Settlement Region
 - Authorizations such as: rights for granular material and surface leases for compressor stations
- Environment Canada**
 - Issues and enforces bird sanctuary permits
 - Issues permits under the *Species at Risk Act*
 - Issues disposal at sea permits
- Fisheries and Oceans Canada**
 - Issues authorizations protecting fish, fish habitat and marine mammals
- Transport Canada**
 - Issues approvals under the provisions of the *Navigable Waters Protection Act* and Sections 108/109 of the *National Energy Board Act*
- Government of the Northwest Territories**
 - Issues various authorizations through the following departments: Municipal & Community Affairs, Public Works & Services, Environment & Natural Resources, Transportation, Aurora Research Institute, Prince of Wales Northern Heritage Centre

TIMELINE & HISTORY

Major milestones 2002 - 2006:

June 2002: Cooperation Plan is released

June 2003: Proponent files Preliminary Information Package

April 2004: Regulators' Agreement is signed

August 2004: Joint Review Panel Agreement and Terms of Reference for Environmental Impact Review are released

October 2004: Proponent files Environmental Impact Statement (EIS) and applications with the NEB; review processes for the project start

Throughout 2005: JRP and NEB conduct technical reviews of the EIS and applications

January 2006: NEB public hearings begin; reviewing need for the project, engineering design of facilities and pipeline, economic feasibility, tolls and tariffs

February 2006: JRP public hearings begin; reviewing socio-economic, cultural and environmental matters associated with the Project

November 2006: Bill C-13 of the *Budget Implementation Act* comes into force, establishing the Corporation to administer the \$500 million, Mackenzie Gas Project Impact Fund to offset socio-economic impacts associated with the proposed MGP

December 2006: NEB concludes initial hearings and waits for issuance of the JRP report

Anticipated future milestones (2007 and beyond):

Late 2007: JRP hearings expected to conclude

Early 2008: JRP expected to release its report

Mid 2008: Responses to the JRP recommendations

TBD* : NEB reconvenes public hearings for final argument

If the JRP's report is approved:

TBD*: NEB releases its Reasons for Decision